

Written Statement of
The Honorable Jonathan S. Adelstein
Commissioner
Federal Communications Commission

before the
Committee on Commerce, Science and Transportation
United States Senate

“The State of Competition in the Telecommunications Industry”

Tuesday, January 14, 2003

Mr. Chairman, I thank you and Senator Hollings for calling this hearing on the future of competition in the telecommunications industry. The Federal Communications Commission is now confronting this key issue head-on, and it will help all of us to hear from you and all the members of the Senate Commerce Committee as we consider several pending decisions.

One of the top priorities of the Telecommunications Act of 1996 and, therefore, a central focus of mine as a Commissioner, is to speed the deployment of broadband and other advanced services. The Act makes clear we must extend the benefits of the latest technologies to all Americans – whether they live in the inner city, the suburbs or rural areas.

Our entire economy will benefit if we speed broadband deployment across our country. Broadband deployment will help restore telecommunications as an engine for economic

growth. It can fuel a turnaround not just for the telecommunications sector, which has seen a loss of over half a million jobs, but for the growth and productivity of the entire economy. Not only domestic economic recovery, but also international competitiveness is at stake, for we must maintain our traditional leadership in a global economy with foreign competitors who have long since begun building their own broadband networks, often with heavy state subsidies. We will win in the end, because we have correctly chosen a market model to drive deployment, but that choice behooves us to take note, and to take careful, considered action, when investment slows to a halt, as it has in our domestic telecommunications markets.

Secure broadband networks are also crucial for our national security. We cannot allow tomorrow's critical infrastructure to roll out slowly, particularly in the face of global terrorism. Nor can we neglect the importance of maintaining domestic sources that provision our networks.

For these reasons, our goal must remain to achieve the greatest amount of bandwidth for the greatest number of people.

This hearing focuses on one of two foundational pillars of the Act that drives deployment and service quality: competition in the marketplace. Its twin pillar, universal service, ensures that deployment and quality will reach even those areas where competition and the marketplace fall short. Ultimately, Congress' goal in building the Act upon these

twin pillars was to ensure that all Americans have access, at reasonable and affordable rates, to high quality telecommunications services, including advanced services.

Growing up in South Dakota, and working as a staffer in the Senate, I have learned the importance of including rural America in this equation. We must fashion policies to help reverse the trend of economic decline and population loss facing many rural communities. The High Cost, Low Income, Schools and Libraries and Rural Health Care Funds have brought services to many people who would not otherwise enjoy them. Although universal service does not now directly support advanced services, it lays the groundwork for the creation of networks that make it possible for consumers to access them.

As you know, we are currently engaged in a number of proceedings that will have a significant impact on competition. Our General Counsel has advised us that open proceedings place constraints on our discussions. I can and will nevertheless discuss the context of how I understand Congress directed us to implement the law.

Two proceedings are now occupying much of our efforts. One is the Triennial Review that determines which, if any, of the current slate of Unbundled Network Elements, or UNE's, the FCC should maintain or remove from the current list under the Act's "necessary and impair" standard as defined by the courts. Another is the proceeding that addresses whether the FCC should treat broadband services provided by incumbent local exchange carriers as telecommunications services regulated under Title II of the

Communications Act, or as information services under Title I. The disposition of these two items, among others, is critical to the mission of implementing the 1996 Act according to Congressional mandate.

We are currently at a crossroads. The telecommunications sector faces enormous challenges. Job losses are on the rise, as are consumers' bills, while investment is down.

In taking steps to restore confidence, we must take care not to undermine the competition that has emerged so far. The Act envisioned many forms of competition, both among traditional wireline and intermodal telecommunications services. In the wireline arena, some competitors are facilities-based, while others compete through resale at negotiated prices, and others through the UNE system under TELRIC pricing. Many have argued persuasively that facilities-based competition will provide the strongest form of competition that is most beneficial to consumers, but we must encourage all types of competition Congress anticipated.

We must also recognize the evolution of competition in the growth of intermodal competition, and faithfully implement Congress' directives by creating opportunities for both intermodal and intramodal competition. Both can provide strong competitive pressures that will drive down prices, improve services and offer consumers more choices.

Wireless services offer a dynamic and burgeoning new avenue for competition in both broadband and voice communications. We must encourage new and innovative technologies, and more efficient spectrum management, to maximize those opportunities.

Where competition takes hold and becomes stable, the FCC is charged with taking the next step: deregulation. They are two sides of the same coin. Without one, you cannot have the other. The issue now before us is how to determine, as specifically as possible, when the presence of competition is sufficient to permit the deregulation envisioned by the Act, and how that deregulation should go forward.

Once the presence of meaningful competition allows the FCC to modify or repeal rules and regulations, we cannot walk away from consumers. I believe, like Chairman Powell, that enforcement will give the FCC tools it needs to correct wrongs that may occur as a result of deregulation.

Congress clearly made State Commissions our partners in implementing the Act. They play a key role in helping us to determine if a competitor is eligible for universal service. They also are required to determine whether the Bell Operating Companies have satisfied Section 271 requirements in States and should be permitted to provide long distance services. Congress also chose to have the State Commissions arbitrate interconnection agreements between incumbent providers and their competitors. Decisions on competition policy should reflect Congress' directive that we are to achieve the goals it established with the assistance of the State Commissions.

The Commission's decisions on these matters should reflect an understanding that Congress enacted the Telecommunications Act for the good of consumers. Congress intended all Americans, both rural and urban, to have access to telecommunications services, and eventually advanced services, at reasonable and affordable rates. Congress gave the FCC tools to attain these lofty, yet attainable, goals through universal service, competition and subsequent deregulation.